

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 STR-01 INT-05 GSA-01

OES-03 CEA-01 EUR-12 FEAE-00 /105 W

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R 241415Z MAR 75

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 9701

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E.O. 11652: N/A

TAGS: EIND CS

SUBJECT: STATUS OF ALUMINUM AND COPPER PROJECTS

REF: SAN JOSE 1134

1. ALCOA REPS MCNISH, FAUCET AND TECLINBURG CALLED ON THE AMBASSADOR MARCH 21 TO INFORM HIM OF THE OUTCOME OF THEIR TALKS WITH PRESIDENT ODUBER AND WITH THE COSTA RICAN GOVERNMENT'S ALUMINUM COMMISSION.

2. THE ALCOA REPRESENTATIVES REPORTED THAT THEIR TALKS HAD GONE VERY WELL AND THEY HAVE NOW ACCUMULATED ENOUGH INFORMATION ABOUT COSTA RICAN THINKING TO PREPARE DRAFT CONTRACTS. THE TALKS CONFIRMED THEIR EARLIER UNDERSTANDING THAT THE GOVERNMENT IS UNLIKELY TO ALLOW ALCOA TO MOVE AHEAD ON COPPER UNTIL AN AGREEMENT HAS BEEN REACHED TO DEVELOP AN ALUMINUM SMELTER. PRESENT THINKING, WHICH IS BASED ON ALCOA'S FEASIBILITY STUDIES AND ON RECOMMENDATIONS MADE TO THE GOVERNMENT BY THE NORWEGIAN CONSULTING FIRM NORCONSULT, IS THAT THE SMELTER WOULD OPERATE

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AT LEAST INITIALLY USING IMPORTED ALUMINA. COSTA

RICAN BAUXITE DEPOSITS ARE OF A LOW GRADE AND  
CONTAIN IMPURITIES THAT WOULD MAKE THEM UNATTRACTIVE  
ECONOMICALLY AT PRESENT.

3. THE ALCOA REPRESENTATIVES HAVE AGREED TO PROVIDE  
DRAFT CONTRACTS WITHIN SIX WEEKS WHICH WOULD  
SERVE AS THE BASIS FOR FURTHER NEGOTIATIONS WITH  
THE COSTA RICAN GOVERNMENT. A NUMBER OF SIGNIFICANT  
QUESTIONS REMAIN TO BE CLEARED UP BEFORE AGREEMENT  
COULD BE REACHED, INCLUDING THE PRICE TO BE CHARGED  
BY COSTA RICA FOR THE HYDROELECTRIC POWER TO BE USED  
IN THE ALUMINUM SMELTER AND THE QUESTION OF WHAT  
GUARANTIES THE COMPANY WOULD REQUIRE AS TO THE  
SECURITY OF ITS INVESTMENTS. THE MINISTER OF ECONOMY  
IS ONLY PERMITTED TO OFFER INCENTIVES FOR A PERIOD  
OF TEN YEARS, WHICH WOULD CLEARLY BE INSUFFICIENT  
FOR SUCH A LONG-TERM PROJECT. THE DRAFT CONTRACTS  
WILL BE MODELLED ON ARRANGEMENTS UNDER WHICH ALCOA  
OPERATES IN GUINEA AND WOULD PROVIDE FOR AN EQUITY  
PARTICIPATION BY CODESA, THE STATE DEVELOPMENT  
CORPORATION.

4. FINANCING FOR THE HYDROELECTRIC FACILITY WOULD  
BE THE RESPONSIBILITY OF THE COSTA RICAN GOVERNMENT.  
THE GOVERNMENT WOULD EXPECT TO GET ABOUT ONE-THIRD  
OF THE FUNDS FROM SUCH INTERNATIONAL AGENCIES AS  
THE IBRD, THE IBD, AND THE CENTRAL AMERICAN  
DEVELOPMENT BANK, ONE-THIRD FROM SUPPLIER CREDITS,  
AND ONE-THIRD FROM COMMERCIAL BANK LOANS.  
TODMAN

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ALUMINUM, COPPER, NEGOTIATIONS, PROGRAMS (PROJECTS), MEETING REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 24 MAR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975SANJO01185  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750102-0452  
**From:** SAN JOSE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750322/aaaaatgz.tel  
**Line Count:** 91  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 SAN JOSE 1134  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 08 SEP 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <08 SEP 2003 by ElyME>; APPROVED <09 SEP 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** STATUS OF ALUMINUM AND COPPER PROJECTS  
**TAGS:** EIND, CS, (MCNISH, BILLY), (FAUCET, HARRY)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006